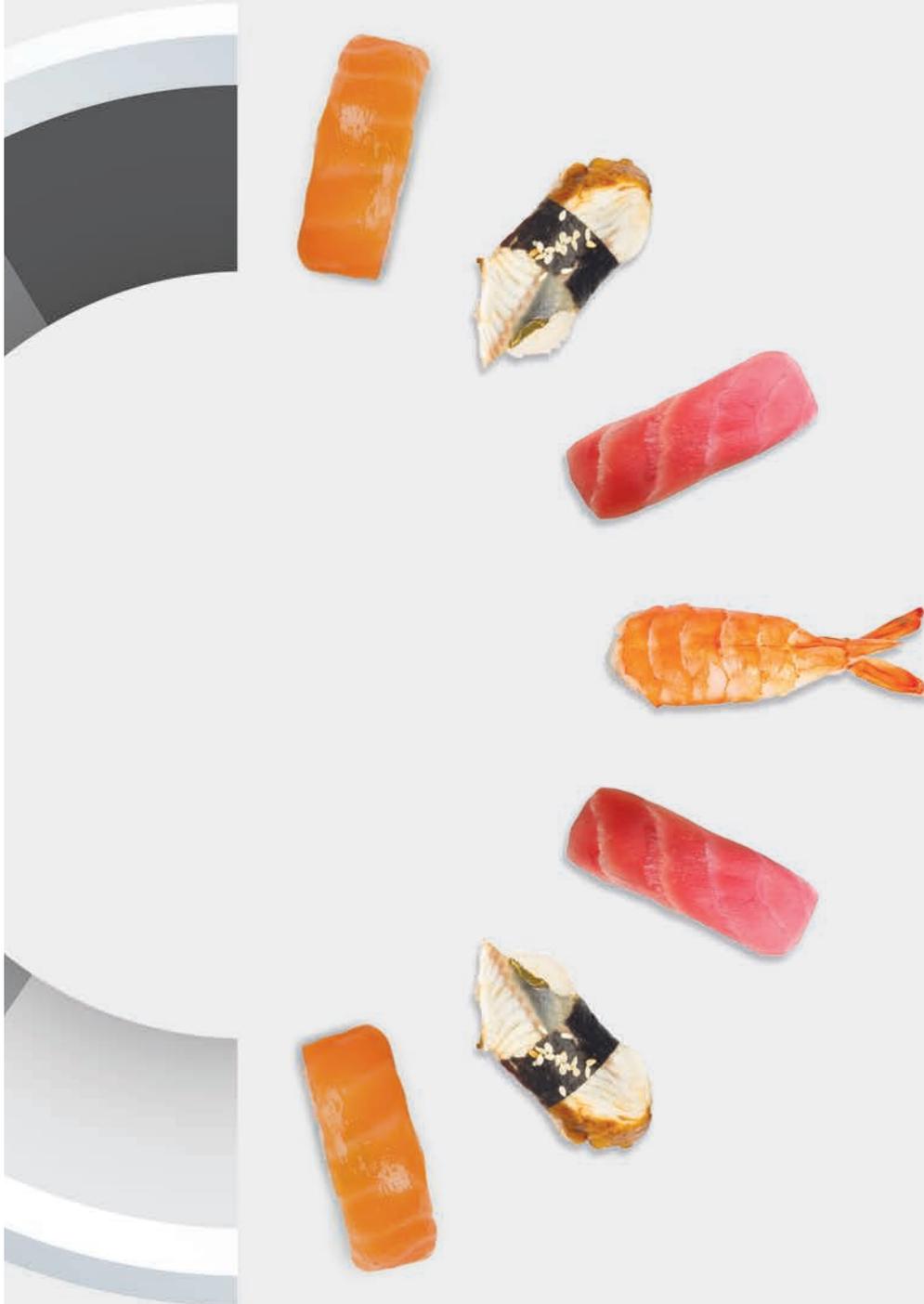


JPMorgan Japan Smaller Companies Trust plc

Half Year Report & Financial Statements for the six months ended 30th September 2017



Features

Investment Objective

The Company's objective is to achieve long-term capital growth through investment in small and medium-sized Japanese companies. Its benchmark is the S&P Japan SmallCap NR (in sterling terms).

Investment Policy

In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio of investments almost wholly invested in Japan, emphasising capital growth rather than income.

To obtain this exposure, investment is permitted in Japanese quoted companies other than the largest 200 measured by market capitalisation, Japanese domiciled or unquoted companies, Japanese domiciled companies quoted on a non-Japanese stock exchange and non-Japanese domiciled companies which have at least 75% of their revenues derived from Japan. Investment is also permitted in UK and Japanese government bonds. Borrowings may be utilised to enhance shareholder returns.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various limits and restrictions as follows:

- The Company will not invest more than 5% of its assets in any one individual stock, at the time of its acquisition.
- The Company's current gearing policy is to operate within a gearing range of 5% net cash to 15% geared in normal market conditions with maximum levels of 10% net cash or 25% geared.
- The use of derivatives and currency hedging transactions are permitted with the prior approval of the Board. Such transactions, when used, will be for the purposes of efficient portfolio management and not for speculative purposes.

Compliance with investment restrictions and guidelines is monitored by JPMorgan Funds Limited ('JPMF' or the 'Manager') and is reported to the Board on a monthly basis. The benchmark index, as well as the limits and restrictions described above, may be varied by the Board at any time at its discretion, although any material changes to the investment policy must be approved by Shareholders in accordance with the Listing Rules.

Benchmark

S&P Japan SmallCap NR (in sterling terms). Comparison of the Company's performance is made with the benchmark as stated, although investors should note that there is no recognised benchmark that closely reflects the Company's stated investment policy.

Capital Structure

As at 30th September 2017, the Company's issued share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,284,321 were held in Treasury.

Currency

The Company does not currently hedge the currency exposure that arises from having assets and bank debt denominated in Japanese yen.

Management Company

The Company employs the Manager as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (Japan) Limited through JPMorgan Asset Management (UK) Limited.

Association of Investment Companies ('AIC')

The Company is a member of the AIC and complies with both the AIC Code of Corporate Governance and the Financial Reporting Council's UK Corporate Governance Code.

Website

The Company's website can be found at www.jpmmjapan.com and includes useful information about the Company, such as daily prices, factsheets and current and historic half year and annual reports.

FCA Regulation of 'Non-Mainstream Pooled Investments'

The Company conducts its affairs in a way which enables the shares that it issues to be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

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Half Year Performance

TOTAL RETURNS

+10.5%

Return to shareholders²

+12.3%

Return on net assets^{1,2}

+7.5%

Benchmark return³

Financial Data

	30th September 2017	31st March 2017	% change
Shareholders' funds (£'000)	231,906	207,796	+11.6
Ordinary shares in issue ⁴	54,660,239	54,980,560	
Net asset value per share	424.3p	377.9p	+12.3
Ordinary share price	373.0p	337.5p	+10.5
Ordinary share price discount	12.1%	10.7%	
Ongoing charges	1.11%	1.31%	
Gearing	7.3%	6.3%	

¹ Source: Morningstar.

² Source: Morningstar/J.P.Morgan, using net asset value per share, cum income.

³ Source: Datastream. The Company's benchmark is the S&P Japan SmallCap Net Return (in sterling terms).

⁴ Excludes 1,284,321 (31st March 2017: 964,000) shares held in Treasury.

A glossary of terms and alternative performance measures is provided on page 17.

About the Company

CHAIRMAN'S STATEMENT



Investment Performance

I am pleased to report that the Company has outperformed its benchmark in the first half of the current financial year. In the six months to 30th September 2017, the total return on net assets per share (net of fees and expenses) and in sterling terms was +12.3%. This compares favourably with the total return from the Company's benchmark, the S&P Japan SmallCap Net Return Index in sterling terms, of +7.5%. The return to Ordinary shareholders per share and in sterling terms was +10.5%, reflecting a small widening of the Company's discount to net asset value per share ('NAV') at which it traded at the end of the period.

Performance was mainly driven by good stock selection, supported by sector allocation positioning and gearing over the six months period. A market review, summary of portfolio activity, a performance appraisal and portfolio positioning, together with their outlook, can be found in the accompanying investment managers' report.

Discount Management

Over the period, the Company's discount increased from 10.7% to 12.1%. The Company repurchased 320,321 shares during the six months. The Board continues to monitor the discount closely with its advisers and is prepared to repurchase shares when it feels that it is appropriate, taking into account market conditions. At the time of writing, the discount is 9.5%.

Borrowing

After the period end, the Company replaced its one-year fixed rate Yen 3.0 billion loan facility with Scotiabank with a revolving credit facility for the increased amount of Yen 4.0 billion, also with Scotiabank, extending its maturity date to October 2019. The loan renewal was secured on favourable terms and allows the Company to repay the loan as and when required without the penalties associated with a fixed rate loan.

The investment managers use this facility to gear the portfolio in periods when they believe this leverage will enhance shareholder returns, whilst its flexibility allows the Company to hold cash as and when required. The Company's investment policy permits gearing within a range of 10% net cash to 25% geared. However, the Board requires the Company, in normal market conditions, to operate in the range of 5% net cash to 15% geared.

The level of gearing is reviewed by the Directors at each Board meeting. During the half year the Company's gearing level, based on month end data, ranged between 5.5% and 7.3% and finished the half year at the higher level.

Outlook

On 22nd October 2017, voters handed a majority win to incumbent Japanese Prime Minister Shinzo Abe's Liberal Democratic Party (LDP) and their Komeito partners in a snap election. The LDP-Komeito ruling coalition managed to secure two-thirds of the seats in the lower house in a strong result. Four more years of the 'three arrows' of Abenomics (monetary easing, fiscal stimulus and structural/corporate reforms) ensures that the outlook for Japanese stocks remains attractive and stable for investors. Overall, there is likely to be more upside in Japanese equities from the continuation of current policies, rising earnings and the increasing profitability of Japanese companies. The Board has confidence in the investment managers' ability to continue to find companies with strong financial and economic characteristics in which to invest.

Alan Clifton
Chairman

17th November 2017

INVESTMENT MANAGERS' REPORT



Shoichi Mizusawa



Nicholas Weindling



Eiji Saito

Market Review

The Company's net asset value ('NAV') gained 12.3% in sterling terms during the six-month period to the end of September 2017. This is 4.8 percentage points above the benchmark return of 7.5%. Over the same period, the TOPIX Index, the bellwether for the Japanese equity market, returned 11.8% and 3.4% in yen and sterling terms, respectively.

Global equities performed strongly, buoyed by synchronized growth in both economic output and corporate earnings. Equity valuations were supported by the benign outlook for inflation. Geopolitical tensions rose in North Korea as the regime launched a series of missiles; however, concerns did not have a lasting impact on financial markets.

Japanese companies reported better than expected results for the year to March 2017. Although aggregate operating profit fell from the previous year, the magnitude was smaller than expected and the underlying trend was strong, excluding the negative impact of yen appreciation. Guidance for the new fiscal year in aggregate is for single-digit growth in operating profits. While this was below market consensus, we believe it reflects the usual conservatism of management. The April-June quarter results announced during the summer confirmed this thesis and listed companies in aggregate reported pre-tax profit growth in excess of 20% over the previous year.

The 10-year government bond yield in Japan moved in a tight range of 0.0%-0.1% in response to the Bank of Japan's yield-curve control policy. In the currency market, US dollar weakness was the most notable change from last year. The US dollar index fell by over 10% from the peak in December 2016. The yen was virtually flat against the weak dollar but fell from circa ¥140 to ¥150 against sterling in the period.

On 22nd October, the ruling coalition won a sweeping victory in the Lower House election. Prime Minister Abe's Liberal Democratic Party and its partner Komeito secured a two-thirds majority. This means the continuation of Abenomics for the foreseeable future, which is centred around economic stimulus supported by an aggressively loose monetary policy.

Portfolio Activity

There has been little change in the overall structure of the portfolio, and relatively low turnover. We maintained our focus on companies that we believe will be able to compound earnings growth over the long term, favouring strong management teams and healthy cash flow. We avoided companies that operate in industries plagued by excess supply; many, but not all, stocks in the regional banking and materials sector fall into this category.

Over the period, the portfolio's largest overweight positions were in information technology and industrial sectors. This represents a shift from the start of the period, when the largest underweights were in the materials and financials sectors. We selectively increased our weighting in materials, favouring companies with pricing power, high earnings growth potential and attractive valuations, as described below.

Three of the largest purchases were:

- Mitsui Chemical, a materials stock, is a petrochemical company that has changed its business portfolio away from commodity chemicals towards high value-added products; these include auto parts, spectacle lens monomers, nappies and food packaging materials. We believe the high-value added products will continue to drive profit growth over the medium term, and that the downside risk in the commodity elements of the business is significantly smaller than the valuation discount suggests.

-
- Taiyo Nippon Sanso (materials) is the largest industrial gas supplier in Japan. It is expanding in overseas markets, particularly in the US where the firm is trying to increase its presence in higher margin on-site supply contracts. The merger of Air Liquide and Air Gas, as well as the pending merger of Linde and Praxair, will we think present opportunities to acquire assets which will drive both revenue growth and margin improvement. The shares trade at a substantial discount to peers and we find the balance of risks and rewards very attractive.
 - The investment rationale for Kureha (materials) lies in its high value-added polyglycolic acid (PGA) resins, used in shale gas extraction. Thanks to PGA's biodegradability and resilience to high pressure, it is capable of substantially reducing costs, production time, and the environmental impact of extraction. The company started to market the product directly to local gas producers in the US from early this year. Another growth driver is anode binders for lithium-ion batteries where the company commands some 50% of the global market.

Three of our largest divestments were Anicom (insurance), Pola Orbis (household & personal products) and Shimamura (retailing). We sold all three following strong share price performance.

- We first initiated a position in Anicom in December 2012 and it was one of our largest positions until recently. The company is a leader in pet insurance in Japan and has doubled premium income in the last five years. Based on recent discussions with management, we concluded that the pet insurance market was approaching saturation far more quickly than we had anticipated. In the meantime, competitive pressure is rising and Anicom is being forced to increase promotional spending in order to win new customers.
- We sold Pola Orbis and Shimamura on valuation grounds.

The Company's gearing level rose from 6.3% to 7.3% over the six months to 30th September 2017.

Performance review

Over the six months to September, the Company outperformed the benchmark S&P Japan Small Cap Net Return Index by 4.8 percentage points, delivering a return on net assets of 12.3% in sterling terms. The Company is ahead of the benchmark by 5.3 percentage points over three years and by 29.1 percentage points over five years.

During the six months under review, both sector allocation and stock selection added value. Of the excess return, slightly over 50% was attributable to stock selection. Stocks that contributed most to the excess return include Nittoku Engineering (capital goods), IRISO Electronics (technology hardware & equipment), Misumi Group (capital goods), Harmonic Drive Systems (capital goods) and Sumitomo Densetsu (capital goods). All performed well thanks to strong earnings growth. Gearing of the portfolio also had a positive impact.

- Nittoku Engineering is the global leader in coil-winding machines for a variety of motors used in smartphones, home appliances and sensors. Its growth driver is the automobiles industry as the number of motors per vehicle continues to grow. In the long run, we think the company is very well positioned to benefit from the proliferation of the 'internet of things', as this emerging technology requires a large number of sensors.

INVESTMENT MANAGERS' REPORT *CONTINUED*

- IRISO Electronics is a manufacturer of miniature connectors, generating over 80% of its revenue from automobiles. The company has steadily increased its value content per vehicle on the back of the increasing use of electric vehicles and hybrid electric vehicles as well as of advanced driver-assistance systems.
- Misumi Group sells factory automation and metal die components. Its competitive advantage lies in its ability to stock a very large number of items which can be delivered to customers in small lots within a short space of time. It has grown strongly in overseas markets, which now account for half of group revenues. Another growth driver is VONA, its e-commerce business, which also carries third-party brands.
- Harmonic Drive Systems is the global leader in miniature reduction gear parts, used in the arm joints of small robots. It is benefiting from an increasing use of robots as manufacturers attempt to counter rising wages in emerging markets and improve efficiency through automation.
- Sumitomo Densetsu specialises in engineering solutions for electric power transmission networks. It also provides installation and maintenance of power management, air-conditioning, and communication network systems in office buildings and manufacturing plants. We believe the company will grow earnings as the demand for upgrading and maintaining the ageing power infrastructure increases.

Yonex (consumer durables & apparel), Daifuku (capital goods) and Kewpie (food beverage & tobacco) were among stocks which negatively contributed to relative performance.

- Yonex is a global leader in badminton equipment and is growing strongly in China, ASEAN and India, where the sport is very popular. Growth accelerated in China after the company established a direct distribution channel in 2015. The stock fell because its 2016 results and profit guidance for 2017 were below market expectations. Although the pace of growth in recent quarters has been slower than we originally anticipated, this does not alter the long-term investment case and so we are maintaining our position.
- Daifuku is a stock we do not have strong confidence in and therefore do not hold in the portfolio. It performed strongly during the period, thereby harming our relative performance. It is a global supplier of material handling systems and benefits from increasing automation in manufacturing and e-commerce.
- Kewpie is the dominant supplier of mayonnaise and dressings in Japan. The investment case for Kewpie is the opportunity in overseas markets, in particular in China where consumption of the products has just started to grow, notably in Beijing and Shanghai. The share price has been trading in a fairly narrow range due to the lack of a new catalyst.

With respect to sector allocation, top contributors include semiconductors and semiconductor equipment (overweight) and banks (underweight).

- The semiconductors and semiconductor equipment sectors performed strongly globally, driven by strong earnings across the board including in memory chips, power devices and logic chips.

-
- Banks gave back their outperformance of the preceding period on profit taking. Lack of inflationary pressure, despite a tight labour market and low interest rates, weighed on sentiment towards the sector.

Portfolio strategy and outlook

There is no change to our investment strategy. We aim to achieve superior long-term performance by investing in strong companies with a durable competitive advantage. These companies grow their intrinsic value in a compounding manner over time and, combined with a proper governance structure, we believe they will reward minority shareholders. This means the portfolio has a bias towards quality and growth companies with both strong balance sheets and cash flow.

We continued to allocate a large part of the capital to our favourite long-standing investment themes, including healthcare, factory automation, e-commerce/mobile internet and infrastructure. Within healthcare, we own stocks that offer growth through innovation. Although the ageing population presents a positive backdrop for the sector, fiscal constraints mean that most pharmaceutical companies face severe pricing pressure from governments. Factory automation benefits from rising wages in emerging countries as well as from a falling working population in Japan. The internet continues to disrupt established incumbents in many areas globally; Japan is a fertile market for entrepreneurs in this area as the country lags the US, UK and China in terms of internet penetration.

We continue to be overweight semiconductor-related companies, in response to the exponential growth in demand for data as 'cloud' and the 'internet of things' become integral to society. Staffing service is another sector in which we find opportunities as the falling and ageing population means employers are finding it increasingly difficult to hire and retain people.

Corporate governance reform in terms of better capital management and shareholder returns, combined with the unwinding of cross-shareholdings, are slowly but steadily taking hold. Listed companies in general have healthy balance sheets and can afford higher payout ratios. We will continue to engage with companies in order to establish constructive dialogue on this topic.

We believe that global economic growth will continue to expand at a healthy rate. The lack of inflationary pressure suggests that the risk of aggressive tightening in monetary policies around the world is low. Although the Japanese equity market has performed well, this is largely attributable to earnings growth, and so valuations as measured by the price-earnings ratio have remained virtually unchanged. According to consensus estimates, aggregate earnings of TOPIX Index constituents are expected to grow by 5% in 2017 and 8% in 2018. Based on the 2017 consensus forecast, the Index trades on a PE ratio of 15.3 times.

Shoichi Mizusawa
Nicholas Weindling
Eiji Saito
Investment Managers

17th November 2017

Investment Review

TOP TWENTY INVESTMENTS AT 30TH SEPTEMBER 2017

Company	Sector	Valuation £'000	% ¹
IRISO Electronics	Electric Appliances	6,681	2.7
MISUMI	Wholesale Trade	6,074	2.4
Asahi Intecc	Precision Instruments	5,919	2.4
Nittoku Engineering	Machinery	5,370	2.2
Benefit One	Services	5,229	2.1
Seria	Retail Trade	5,115	2.1
Sanwa	Metal Products	4,938	2.0
Persol	Services	4,906	2.0
Taiheiyo Cement	Glass & Ceramics Products	4,645	1.9
Yamabiko	Machinery	4,335	1.7
Cosmos Pharmaceutical	Retail Trade	4,238	1.7
Chiba Bank	Banks	4,232	1.7
SMS	Services	4,167	1.7
Nippon Shinyaku	Pharmaceutical	4,024	1.6
Shoei	Other Products	3,978	1.6
Nifco	Chemicals	3,947	1.6
Disco	Machinery	3,907	1.6
Aica Kogyo	Chemicals	3,877	1.6
Harmonic Drive Systems	Machinery	3,811	1.5
Fujitsu General	Electric Appliances	3,790	1.5
Total top twenty investments		93,183	37.6

¹ Based on total investments of £248.7m.

SECTOR ANALYSIS

	at 30th September 2017		at 31st March 2017	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Services	12.1	6.3	11.9	6.2
Machinery	11.0	7.7	10.0	7.8
Chemicals	10.1	8.0	6.8	1.5
Electric Appliances	8.7	8.1	7.6	7.7
Information & Communication	8.6	5.8	9.0	5.1
Retail Trade	8.2	8.3	9.8	8.5
Metal Products	6.9	1.7	6.8	7.6
Real Estate	5.7	6.9	6.3	7.3
Construction	5.7	6.3	5.6	5.7
Precision Instruments	5.0	1.7	5.1	2.2
Other Products	3.7	2.7	3.7	2.6
Wholesale Trade	3.0	6.9	2.8	6.4
Pharmaceuticals	3.0	2.4	3.5	2.3
Banks	2.6	5.4	2.9	6.2
Glass & Ceramics Products	1.9	1.7	1.4	1.4
Other Financing Business	1.1	1.0	1.2	0.9
Transportation Equipment	1.0	3.2	1.6	3.5
Nonferrous Metals	1.0	1.3	1.2	1.9
Food	0.7	3.4	1.0	4.1
Land Transportation	–	2.3	–	2.0
Textiles & Apparels	–	1.9	–	1.8
Securities & Commodity Futures	–	1.3	–	1.3
Iron & Steel	–	1.1	–	1.3
Rubber Products	–	0.9	–	0.8
Pulp & Paper	–	0.8	–	0.8
Fishery, Agriculture & Forestry	–	0.7	–	0.8
Electric Power & Gas	–	0.5	–	0.5
Marine Transportation	–	0.4	–	0.5
Oil & Coal	–	0.4	–	0.3
Warehousing & Harbour Transportation	–	0.4	–	0.5
Mining	–	0.3	–	0.3
Financial Services	–	0.1	–	–
Insurance	–	0.1	1.8	0.1
Commerce & Industry	–	–	–	0.1
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £248.7m (31st March 2017: £220.8m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

	(Unaudited) Six months ended 30th September 2017			(Unaudited) Six months ended 30th September 2016			(Audited) Year ended 31st March 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	23,824	23,824	–	26,852	26,852	–	36,931	36,931
Net foreign currency gains/(losses)	–	1,385	1,385	–	(2,482)	(2,482)	–	(1,544)	(1,544)
Income from investments	1,484	–	1,484	1,592	–	1,592	3,528	–	3,528
Gross return	1,484	25,209	26,693	1,592	24,370	25,962	3,528	35,387	38,915
Management fee	(1,025)	–	(1,025)	(921)	–	(921)	(1,928)	–	(1,928)
Other administrative expenses	(202)	–	(202)	(242)	–	(242)	(447)	–	(447)
Net return on ordinary activities before finance costs and taxation	257	25,209	25,466	429	24,370	24,799	1,153	35,387	36,540
Finance costs	(78)	–	(78)	(184)	–	(184)	(275)	–	(275)
Net return on ordinary activities before taxation	179	25,209	25,388	245	24,370	24,615	878	35,387	36,265
Taxation	(148)	–	(148)	(162)	–	(162)	(355)	–	(355)
Net return on ordinary activities after taxation	31	25,209	25,240	83	24,370	24,453	523	35,387	35,910
Return per share (note 3)									
- undiluted	0.06p	46.01p	46.07p	0.18p	51.50p	51.68p	1.04p	70.69p	71.73p
- diluted ¹	0.06p	46.01p	46.07p	0.17p	50.18p	50.35p	1.01p	68.67p	69.68p

¹ The Subscription shares expired on 30th November 2016.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The net return on ordinary activities after taxation represents the profit for the period/year and also the total comprehensive income.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
Six months ended 30th September 2017 (Unaudited)							
At 31st March 2017	5,595	33,978	1,836	313,004	(133,782)	(12,835)	207,796
Repurchase of shares into Treasury	–	–	–	(1,130)	–	–	(1,130)
Net return on ordinary activities	–	–	–	–	25,209	31	25,240
At 30th September 2017	5,595	33,978	1,836	311,874	(108,573)	(12,804)	231,906
Six months ended 30th September 2016 (Unaudited)							
At 31st March 2016	4,741	13,889	1,836	314,775	(169,169)	(13,358)	152,714
Repurchase of shares into Treasury	–	–	–	(355)	–	–	(355)
Conversion of Subscription shares into Ordinary shares	(1)	1	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	82	1,918	–	–	–	–	2,000
Net return on ordinary activities	–	–	–	–	24,370	83	24,453
At 30th September 2016	4,822	15,808	1,836	314,420	(144,799)	(13,275)	178,812
Year ended 31st March 2017 (Audited)							
At 31st March 2016	4,741	13,889	1,836	314,775	(169,169)	(13,358)	152,714
Repurchase of shares into Treasury	–	–	–	(1,771)	–	–	(1,771)
Conversion of Subscription shares into Ordinary shares	(8)	8	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	862	20,081	–	–	–	–	20,943
Net return on ordinary activities	–	–	–	–	35,387	523	35,910
At 31st March 2017	5,595	33,978	1,836	313,004	(133,782)	(12,835)	207,796

¹ This reserve forms the distributable reserve of the Company and may be used to fund distributions of profits to investors via dividend payments.

STATEMENT OF FINANCIAL POSITION AT 30TH SEPTEMBER 2017

	(Unaudited) 30th September 2017 £'000	(Unaudited) 30th September 2016 £'000	(Audited) 31st March 2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	248,743	186,509	220,785
Current assets			
Derivative financial instruments	–	–	4
Debtors	1,022	1,660	1,461
Cash and cash equivalents	2,271	14,422	4,895
	3,293	16,082	6,360
Creditors: amounts falling due within one year	(20,130)	(23,779)	(19,349)
Net current liabilities	(16,837)	(7,697)	(12,989)
Total assets less current liabilities	231,906	178,812	207,796
Net assets	231,906	178,812	207,796
Capital and reserves			
Called up share capital	5,595	4,822	5,595
Share premium	33,978	15,808	33,978
Capital redemption reserve	1,836	1,836	1,836
Other reserve	311,874	314,420	313,004
Capital reserves	(108,573)	(144,799)	(133,782)
Revenue reserve	(12,804)	(13,275)	(12,835)
Total shareholders' funds	231,906	178,812	207,796
Net asset value per share (note 4)			
– undiluted	424.3p	375.5p	377.9p
– diluted ¹	424.3p	356.8p	377.9p

¹ The Subscription shares expired on 30th November 2016.

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

	(Unaudited) Six months ended 30th September 2017 £'000	(Unaudited) Six months ended 30th September 2016 £'000	(Audited) Year ended 31st March 2017 £'000
Net cash outflow from operations before dividends and interest (note 5)	(1,345)	(288)	(848)
Dividends received	1,757	1,431	2,647
Interest paid	(76)	(157)	(371)
Net cash inflow from operating activities	336	986	1,428
Purchases of investments	(22,188)	(22,812)	(62,298)
Sales of investments	16,949	22,953	40,244
Settlement of forward currency contracts	22	(3)	(78)
Net cash (outflow)/inflow from investing activities	(5,217)	138	(22,132)
Issue of Ordinary shares on exercise of Subscription shares (net of costs)	–	2,000	20,943
Repurchase of shares into Treasury	(972)	(91)	(1,771)
Repayment of bank loan	–	–	(23,208)
Drawdown of bank loans	3,243	–	18,993
Net cash inflow from financing activities	2,271	1,909	14,957
(Decrease)/increase in cash and cash equivalents	(2,610)	3,033	(5,747)
Cash and cash equivalents at start of the period	4,895	10,643	10,643
Exchange movements	(14)	746	(1)
Cash and cash equivalents at end of the period	2,271	14,422	4,895
(Decrease)/increase in cash and cash equivalents	(2,610)	3,033	(5,747)
Cash and cash equivalents consist of:			
Cash and short term deposits	2,271	14,422	4,895
Total	2,271	14,422	4,895

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st March 2017 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies, including the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in November 2014 and updated in January 2017.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 30th September 2017.

All of the Company's operations are of a continuing nature.

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st March 2017.

3. Return per share

	(Unaudited) Six months ended 30th September 2017 £'000	(Unaudited) Six months ended 30th September 2016 £'000	(Audited) Year ended 31st March 2017 £'000
Return per Ordinary share is based on the following:			
Revenue return	31	83	523
Capital return	25,209	24,370	35,387
Total return	25,240	24,453	35,910
Weighted average number of Ordinary shares in issue during the period used for the purpose of the undiluted calculation	54,787,042	47,321,220	50,056,102
Weighted average number of Ordinary shares in issue during the period used for the purpose of the diluted calculation ¹	–	48,564,858	51,532,925
Undiluted			
Revenue return per share	0.06p	0.18p	1.04p
Capital return per share	46.01p	51.50p	70.69p
Total return per share	46.07p	51.68p	71.73p
Diluted			
Revenue return per share	0.06p	0.17p	1.01p
Capital return per share	46.01p	50.18p	68.67p
Total return per share	46.07p	50.35p	69.68p

¹ The Subscription shares expired on 30th November 2016.

The diluted return per share represents the return on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the period, as adjusted in accordance with IAS 33, as required by FRS 102.

4. Net asset value per share

	(Unaudited) Six months ended 30th September 2017	(Unaudited) Six months ended 30th September 2016	(Audited) Year ended 31st March 2017
Undiluted			
Net assets (£'000)	231,906	178,812	207,796
Number of Ordinary shares in issue	54,660,239	47,624,571	54,980,560
Net asset value per share	424.3p	375.5p	377.9p
Diluted¹			
Net assets assuming exercise of dilutive Subscription shares (£'000)	231,906	197,755	207,796
Number of potential Ordinary shares in issue	54,660,239	55,420,060	54,980,560
Net asset value per share	424.3p	356.8p	377.9p

¹ The Subscription shares expired on 30th November 2016.

5. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	(Unaudited) Six months ended 30th September 2017 £'000	(Unaudited) Six months ended 30th September 2016 £'000	(Audited) Year ended 31st March 2017 £'000
Net return on ordinary activities before finance costs and taxation	25,466	24,799	36,540
Less capital return on ordinary activities before finance costs and taxation	(25,209)	(24,370)	(35,387)
Decrease/(increase) in accrued income and other debtors	439	9	(524)
Decrease in accrued expenses	(20)	(144)	(107)
Overseas withholding tax	(148)	(162)	(355)
Dividends received	(1,757)	(1,431)	(2,647)
Realised (losses)/gains on foreign currency transactions	(116)	1,011	1,632
Net cash outflow from operations before dividends and interest	(1,345)	(288)	(848)

6. Fair valuation of financial instruments

The fair value hierarchy analysis for financial instruments held at fair value at the period end is as follows:

	(Unaudited) Six months ended 30th September 2017		(Unaudited) Six months ended 30th September 2016		(Audited) Year ended 31st March 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	248,743	–	186,509	–	220,785	–
Level 2 ¹	–	–	–	–	4	–
Total value of instruments	248,743	–	186,509	–	220,789	–

¹ Forward foreign currency contracts.

Shareholder Information

INTERIM MANAGEMENT REPORT

The Company is required to make the following disclosures in its half year report.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company have not changed and fall into the following broad categories: investment and strategy; discount; operational; loss of investment team; and political and economic. Information on each of these areas is given in the Business Review within the Annual Report and Financial Statements for the year ended 31st March 2017.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operation existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of the affairs of the Company and of the assets, liabilities, financial position and net return of the Company as at 30th September 2017, as required by the UK Listing Authority Disclosure and Transparency Rule 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by DTRs 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

For and on behalf of the Board

Alan Clifton
Chairman

17th November 2017

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Return to Shareholders

Total return to the investor, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend (see page 2).

Return on Net Assets

Total return on the diluted net assets ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend (see page 2).

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the total return on net assets.

Benchmark Return

Total return on the benchmark, on a closing market value to closing market value basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend (see page 2).

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total investments expressed as a percentage of the shareholders' funds in line with current AIC methodology (see page 2). If the amount calculated is negative, this is shown as a 'net cash' position.

Share Price Discount/Premium to Diluted NAV per Share

If the share price of an investment trust is lower than the NAV per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share (see page 2). The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

Diluted Net Asset Value Per Share

The diluted NAV per share assuming that all outstanding dilutive Subscription shares were converted into Ordinary shares at the year end and all shares held in Treasury at the year end were reissued where this has a dilutive effect (see note 4 on page 15).

Ongoing Charges

The ongoing charges represent the Company's management fee and all other operating expenses, excluding interest payments, expressed as a percentage of the average of the daily net assets during the year (see page 2).

Return/(Loss) Per Share – Diluted

The diluted return/(loss) per Ordinary share represents the return/(loss) on ordinary activities after taxation divided by weighted average number of Ordinary shares in issue during the year as adjusted in accordance with the requirements of Financial Reporting Standard FRS 102 'Earnings per share' (see note 3 on page 14).

Return/(Loss) Per Share – Undiluted

The undiluted return/(loss) per Ordinary share represents the return/(loss) on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the year (see note 3 on page 14).

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

You can invest in a J.P. Morgan investment trust through the following;

1. Directly from J.P. Morgan

Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2017/18 tax year, from 6th April 2017 and ending 5th April 2018, the total ISA allowance is £20,000. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

Third party providers include;

AJ Bell	Interactive Investor
Alliance Trust Savings	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	TD Direct
FundsNetwork	The Share Centre
Hargreaves Lansdown	Trustnet Direct

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These are third party providers and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each provider's privacy and cookie policies on their website as well as their platform charges structure.

3. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can visit unbiased.co.uk to find an adviser.

You may also buy investment trusts through stockbrokers, wealth managers and banks.

Visit fca.org.uk to familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules,

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at
www.fca.org.uk/scamsmart



Information about the Company

FINANCIAL CALENDAR

Financial year end	31st March
Final results announced	June
Half year end	30th September
Half year results announced	November
Annual General Meeting	July

History

The Company and its predecessor, JF Fledgeling Japan Limited, have been investing in Japanese smaller companies since 1984. In early 2000, JF Fledgeling Japan Limited was placed into voluntary liquidation and JPMorgan Fleming Japanese Smaller Companies Investment Trust plc was incorporated and took over its assets and undertakings. Dealings on the new Company began on the London Stock Exchange on 11th April 2000. The Company changed its name to JPMorgan Japan Smaller Companies Trust plc in July 2010.

Directors

Alan Clifton (Chairman)
Deborah Guthrie
Alexa Henderson
Yuuichiro Nakajima
Robert White

Company Numbers

Company registration number: 3916716

Ordinary Shares

London Stock Exchange Sedol number: 0316581
ISIN: GB0003165817
Bloomberg ticker: JPS LN

Market Information

The Company's unaudited net asset value ('NAV') per share is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the Company's website at www.jpmmjapanessmallercompanies.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmjapanessmallercompanies.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available at jpmorgan.co.uk/online for an on line service.

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone number: 020 7742 4000

For company secretarial matters, please contact Divya Amin.

Depositary

BNY Mellon Trust and Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 2093
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2539

Lines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrars quoting reference 2093.

Registered shareholders can obtain further details on individual holdings on the internet by visiting www.shareview.co.uk.

Independent Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
30 Finsbury Square
London EC2P 2YU

Brokers

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Savings Product Administrators

For queries on the J.P. Morgan Investment Account and J.P. Morgan ISA, see contact details on the back cover of this report.

aic

The Association of
Investment Companies

A member of the AIC

www.jpmmjapancompanies.co.uk

J.P. MORGAN HELPLINE

Freephone **0800 20 40 20** or +44 (0) 1268 444470.

Telephone lines are open Monday to Friday,
9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.